

1999 FEDERAL EXPENDITURES IN MICHIGAN

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The United States Bureau of the Census recently released estimates of the amount of Federal governmental expenditures in each state during fiscal year (FY) 1999. As has been the case in past fiscal years, the share of Federal expenditures made in Michigan falls well below Michigan's share of the total United States population. On a per-capita basis, Federal expenditures in Michigan during FY 1999 were 46th among the 50 states. During FY 1998, Michigan ranked 48th among the states in Federal expenditures per capita.

The Bureau of the Census reports Federal expenditures in each state under four major categories. These categories are: direct payment to individuals, Federal salaries and wages paid to state residents, procurement of goods and services in each state, and direct Federal grants to state and local governmental units.

Table 1 provides an FY 1998 summary of the national totals in these categories plus the amount spent in Michigan.

During FY 1999, Federal expenditures in Michigan totaled \$43.9 billion. The Michigan total of Federal expenditures equaled 2.8% of the national total. As a basis of comparison, Michigan's population during FY 1999 accounted for 3.6% of the national total. Only in the Federal expenditure category of direct payments to individuals is Michigan's share of Federal expenditures closely related to Michigan's share of the national population. In all other expenditure categories the State is receiving considerably less than an amount it would receive if Federal expenditures to the states were distributed on a per-capita basis.

Table 1

MICHIGAN'S SHARE OF FEDERAL GOVERNMENT EXPENDITURES: FISCAL YEAR 1999			
(millions of dollars)			
	National Amount	Michigan Amount	Michigan as % of National Total
Direct Payments for Individuals	\$851,786	\$29,110	3.4%
Federal Salaries and Wages	177,279	2,932	1.7%
Procurement	216,373	2,065	1.0%
Grants to State and Local Governments	294,469	9,764	3.3%
Total	\$1,539,907	\$43,871	2.8%
Resident Population	277,200,866	9,863,775	3.6%

Source: United States Bureau of the Census, Federal Expenditures by State for Fiscal Year 1999.

Another way to analyze this Federal government expenditure data is to estimate the additional amount of Federal governmental expenditures that would be made annually in Michigan if all Federal expenditures were distributed to states on a per-capita basis. Table 2 provides the Senate Fiscal Agency estimates of the Federal funding shortfall in Michigan using this methodology for

the period FY 1985 through FY 1999. During FY 1999, Federal expenditures in Michigan would have increased by \$10.9 billion if these expenditures were distributed on a strict per-capita basis. This represents a 24.9% increase over the actual level of Federal expenditures in Michigan, or a \$1,108 increase in Federal expenditures for each Michigan resident.

Table 2
MICHIGAN'S FEDERAL FUNDING SHORTFALL
(millions of dollars)

Fiscal Year	Actual Federal Expenditures in Michigan	Federal Expenditures in Michigan on a Per-Capita Basis ¹⁾	Michigan's Expenditure Shortfall
1985	\$22,383.6	\$29,844.4	\$(7,460.8)
1986	23,342.1	31,397.6	(8,055.5)
1987	23,283.2	31,813.6	(8,530.4)
1988	23,886.5	33,206.8	(9,320.3)
1989	26,109.2	34,734.5	(8,625.3)
1990	29,432.7	37,438.3	(8,005.6)
1991	31,968.2	41,291.6	(9,323.4)
1992	36,137.3	44,997.6	(8,860.3)
1993	37,237.8	46,845.0	(9,607.2)
1994	39,485.1	49,021.5	(9,536.4)
1995	39,568.5	49,055.0	(9,486.5)
1996	39,633.0	50,062.2	(10,429.2)
1997	40,651.0	51,440.7	(10,789.7)
1998	41,916.7	53,905.3	(11,988.6)
1999	43,871.0	54,795.3	(10,924.3)

1) The level that Federal government expenditures would be in Michigan if the Federal government distributed its expenditures among the states on a per-capita basis.

Source: United States Bureau of the Census, Senate Fiscal Agency calculations

The FY 1999 Census Bureau data place Michigan 46th among the 50 states in per-capita Federal expenditures. Table 3 provides a complete listing of FY 1999 per-capita Federal expenditures in each state. Federal per-capita expenditures in Michigan during FY 1998 were \$4,448, or well below the United States average of \$5,555 per capita. During FY 1999 only the states of Wisconsin, Utah, Nevada, and New Hampshire had a lower level of per-capita Federal spending than Michigan had.

A closer review of the Federal expenditure data reveals three factors explaining Michigan's low return on Federal expenditures. The first is the relative lack of defense facilities within the State of Michigan both from a defense employee perspective and from purchases of goods and services. Wage and salaries paid to defense employees in Michigan accounted for only 0.6% of the national total, and defense purchases of goods and services in Michigan accounted for 0.9% of the national total. The second factor explaining the low return on Federal expenditures

in Michigan is Michigan's share of salaries and wages paid to Federal employees, excluding the Defense Department. Wages and salaries paid to nondefense employees in Michigan accounted for 1.5% of the national total. The final category of Federal expenditures where Michigan's take falls well below the State's share of the national population is in highway planning and construction. In this area of Federal expenditures, Michigan accounted for 3.0% of the national total. Therefore, in the areas of defense spending, payments to Federal employees, and grants for highway planning and construction, Michigan's share of Federal expenditures received is well below the State's 3.6% share of the national population. Based on the fact that these factors are not likely to change in the near future, it is very unlikely that the State of Michigan's ranking in terms of Federal expenditures per capita will improve significantly in the future.

Table 3
PER CAPITA
FEDERAL EXPENDITURES BY STATE
FY 1999

Rank	State	Total Expenditures
1	Alaska	8,521
2	Virginia	8,416
3	Maryland	8,119
4	New Mexico	7,805
5	Hawaii	7,228
6	North Dakota	7,157
7	Montana	7,052
8	South Dakota	6,696
9	Alabama	6,127
10	Massachusetts	6,122
11	West Virginia	6,103
12	Rhode Island	6,092
13	Wyoming	6,081
14	Missouri	6,077
15	Mississippi	5,955
16	Connecticut	5,863
17	Maine	5,811
18	Pennsylvania	5,790
19	Florida	5,772
20	Oklahoma	5,714
21	Arizona	5,642
22	Tennessee	5,629
23	Kentucky	5,604
24	New York	5,595
25	Louisiana	5,577
26	Washington	5,558
27	Kansas	5,443
28	Iowa	5,437
29	Colorado	5,364
30	South Carolina	5,361
31	Arkansas	5,343
32	Nebraska	5,278
33	Vermont	5,245
34	Georgia	5,035
35	California	5,010
36	Delaware	4,997
37	New Jersey	4,961
38	Idaho	4,925
39	Texas	4,889
40	North Carolina	4,866
41	Ohio	4,732
42	Oregon	4,702
43	Illinois	4,604
44	Minnesota	4,537
45	Indiana	4,514
46	Michigan	4,448
47	New Hampshire	4,414
48	Nevada	4,390
49	Utah	4,338
50	Wisconsin	4,305
United States Average		5,555

Source: United States Bureau of the Census